



Department of Justice

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JUSTICE DEPARTMENT SETTLES ANTITRUST SUIT WITH GENERAL ELECTRIC; ELIMINATES RESTRICTIVE SERVICE EQUIPMENT AGREEMENTS

GE also Divests Service Software to win DOJ Approval of Innoserv Acquisition

WASHINGTON, D.C. -- The Department of Justice's Antitrust Division today reached agreements with General Electric Co. in two separate cases that will promote competition in the service of medical equipment and medical imaging equipment such as MRI's and CT scanners.

In an agreement that will settle an antitrust lawsuit filed in 1996 against GE, the company will remove restrictions it had imposed in software licenses with more than 500 hospitals throughout the country. The restriction prevented the hospitals from competing with GE to service medical equipment at other hospitals and at clinics.

In the second case, GE resolved the competitive concerns raised by its proposed acquisition of InnoServ Technologies, an organization that services medical imaging equipment for hospitals, by agreeing to sell InnoServ's service software.

"The Department's settlements will restore competition in medical equipment service markets, reduce the prices paid by hospitals and other health care providers, and help to lower health care costs for all consumers," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division.

GE, the world's largest manufacturer of medical imaging equipment, is also a leading provider of service for all types and brands of medical equipment. It competes in providing service with independent service organizations and hospitals that service their medical equipment themselves. Many hospitals with in-house service departments also want to offer high-quality service to other nearby hospitals or clinics. And, in sparsely populated rural areas, these hospitals may be the only service providers other than GE that are qualified to service certain equipment.

Hospitals with in-house service departments may also license from GE special software that dramatically improves the speed with which the hospitals' engineers can service and repair medical imaging equipment. The Department's licensing lawsuit alleged that prior to 1996, GE required any hospital seeking such a license to agree not to compete with GE to service medical equipment of any kind--whether GE's or that of another manufacturer--at any other health care facility. For example, a hospital that licensed GE's software to service its own GE CT scanner had to agree not to service a Siemens MRI or ultrasound unit at a neighboring clinic.

"While GE has a legitimate interest in protecting its intellectual property from misuse, these restrictions went far beyond what was appropriate. GE forced the hospitals to choose between licensing the software, and thereby lowering their costs, and offering service to other health care facilities. Elimination of these restraints imposed by GE will allow hospitals to compete by offering low-cost, high-quality service," Klein said. The restrictions also harmed competition in the markets to sell imaging equipment by making it harder for hospitals to obtain service on some brands of equipment. Health care providers in the U.S. spend more than \$3 billion a year to have their medical equipment serviced.

Under the proposed settlement of the licensing lawsuit, GE will void the restrictive provisions in its existing licenses, and commit not to restrict hospitals from providing service on medical equipment as a condition of receiving software licenses in the future.

In another case involving the service of medical imaging equipment, the Department today allowed GE's acquisition of InnoServ Technologies to proceed after GE agreed to sell InnoServ's "PREVU" software, also used to service medical imaging equipment, and to settle the licensing lawsuit.

InnoServ, based in Arlington, Texas, is an independent service organization that services medical imaging equipment. It competes with GE to service medical imaging equipment at hospitals and health care facilities throughout the country.

InnoServ's PREVU software is one of very few programs available, besides that offered by GE, to service some models of imaging equipment. "By divesting this software, other service providers will be able to provide competitive service," said Klein. "Hospital patients will benefit from that competition by obtaining lower prices and better quality service. In addition, settlement of the licensing lawsuit will allow hospitals with in-house service departments to offer such services to third parties."

The Department filed suit in the federal district court in Washington, D.C. to block the InnoServ acquisition, and at the same time filed a proposed settlement that requires GE to sell the software to a third party approved by the Justice Department. The software's buyer could use PREVU in its service business, or resell or license PREVU to other parties. If GE is unable to divest the software within six months, a trustee will continue to try to sell it, or may license the software to service providers.

GE is headquartered in Fairfield, Connecticut, and through its subsidiary, General Electric Medical Systems based in Waukesha, Wisconsin, manufactures various models of imaging equipment.

As required by the Tunney Act, both proposed settlements will be published in the Federal Register, together with the Department's competitive impact statements. Any person may submit written comments on either or both of the proposed decrees during 60-day comment periods to Mary Jean Moltenbrey, Chief, Civil Task Force, Antitrust Division, U.S. Department of Justice, Suite 300, 325 Seventh Street, N.W., Washington, D.C. 20004, telephone (202) 616-5935.

At the conclusion of each 60-day comment period, the federal district court in which the settlement was filed may enter the decree upon finding that it serves the public interest.

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